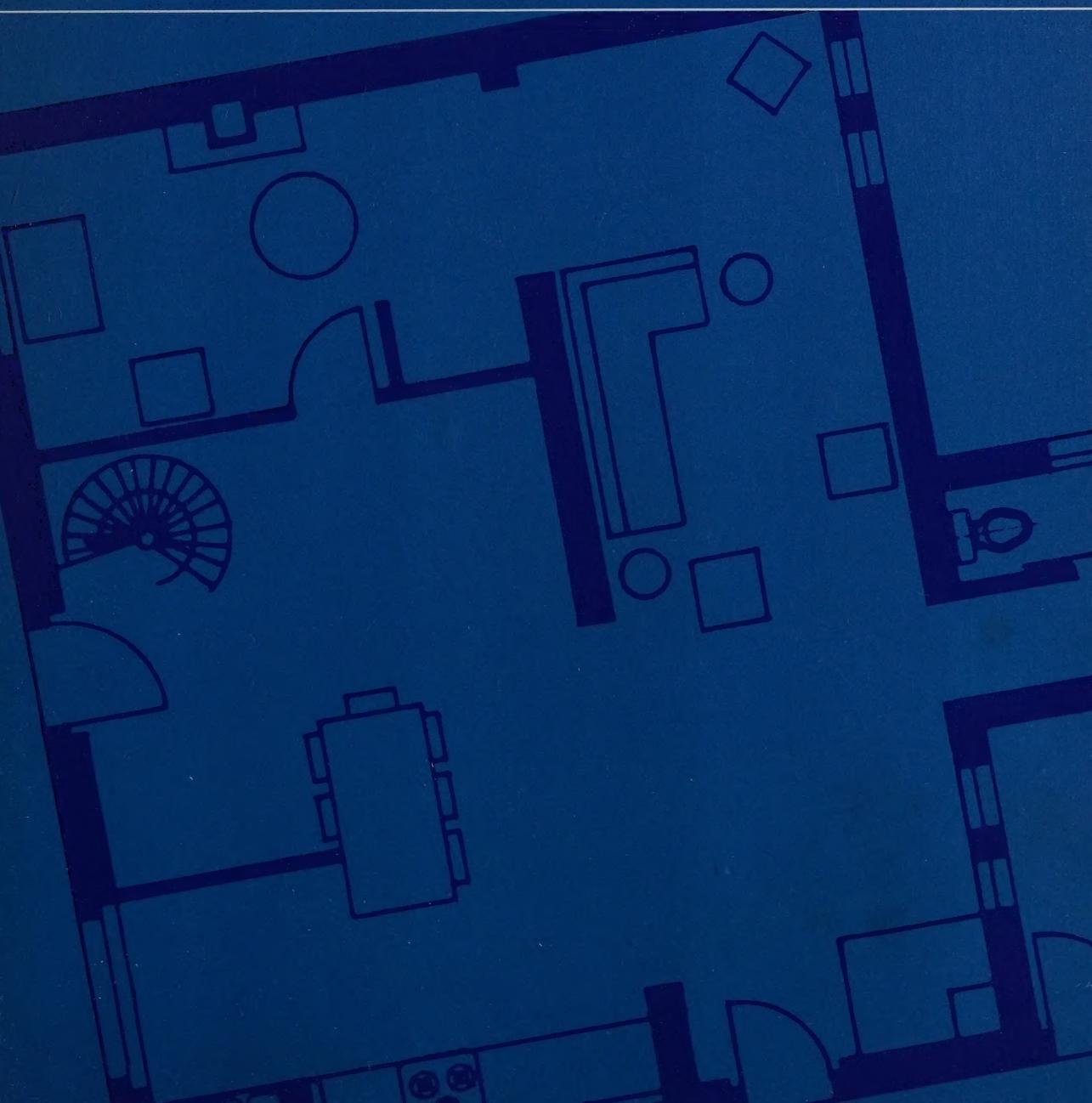


AR48

Commerce
Capital
Mortgage

Annual Report
1976





Commerce Capital Mortgage Corporation

Directors

A. L. Beattie, Q.C., Toronto,
Partner,
Osler, Hoskin & Harcourt

C. J. Cann, C.G.A., Toronto,
President,
Commerce Capital Mortgage Corporation

T. L. Charne, Q.C., Winnipeg,
President,
Commerce Capital Properties Limited

M. Gaasenbeek, Toronto,
Vice-President,
Midland Doherty Limited

D. C. Hannaford, Montreal,
President,
Mead & Co. Limited

J. A. McCleery, F.C.A., Toronto,
President,
J. A. McCleery Limited

C. Orenstein, Toronto,
President,
Consolidated Hotel Management
Company Limited

R. H. E. Walker, Q.C., Montreal,
Partner,
Martineau, Walker, Allison,
Beaulieu, MacKell & Clermont

J. B. Whitely, Montreal,
President,
Commerce Capital Corporation Limited

Officers

J. B. Whitely
Chairman

C. J. Cann, C.G.A.
President

G. R. Greer
Vice-President

G. A. Hill, C.A.
Secretary and Treasurer

K. Hiramitsu
Assistant Treasurer

Auditors

Thorne Riddell & Co.
Toronto

Counsel

Osler, Hoskin & Harcourt
Toronto

Head Office

8 King Street East, Suite 300
Toronto, Canada M5C 1B5

To The Shareholders

This year of operations was one of continued progress for Commerce Capital Mortgage in terms of achieving new highs in both assets and earnings. These results were accomplished through the expansion of mortgage activities, the maintenance of interest rate spreads, the control of costs and the implementation of new corporate programs.

Net earnings reached \$549,000 compared to \$355,000 in 1975, a 55% improvement. After taking into account an increase in the average number of shares outstanding, this represents \$3.29 per share compared to \$3.13. Total assets also showed excellent growth, increasing from \$40 million to \$53 million for a 32% gain.

The Company's volume of business continued to expand with mortgage funds being committed on over 750 properties. Most of these loans were secured by single family dwellings in accordance with our established lending policy. Mortgage Fund B again accounted for most of the business written as its assets rose by \$12 million. This growth was financed through the sale of \$17 million in Commerce Capital Mortgage Series B bonds. Assets of Mortgage Fund A, comprised of N.H.A. loans, continued to decline to a level of \$1.1 million with the proceeds being applied to outstanding bank indebtedness.

The General Fund, representing shareholders' equity, increased by \$1.2

million. This increase resulted from the successful completion of a rights issue to shareholders, raising an additional \$567,000 of new share capital, and from earnings retained after payment of dividends of \$1.00 per share.

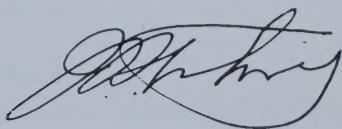
Shareholders at a Special General Meeting of the Company on October 19, 1976 approved a change of name from General Mortgage Corporation of Canada to Commerce Capital Mortgage Corporation and ratification of the change has since been received from regulatory authorities. The purpose of the new name is to create a common identity with the parent company Commerce Capital Corporation Limited and its subsidiaries.

As noted above, the Company was very successful in its Series B bond financing program. This was due, in part, to a broader penetration of the savings market through the facilities of our associated company, Commerce Capital Trust. By utilizing the Trust Company's branch network and our investment dealer underwriting group, we were able to provide more effective cash management. Another area of cooperation between Commerce Capital Trust and ourselves is in the mortgage lending field. In July, we assumed responsibility for the direction of the Trust Company's Ontario mortgage lending activities. By combining our efforts in this way we are able to provide a higher quality of service to the public.

Due to the substantial expansion of our operations, it has been necessary to increase our management strength and move to new expanded premises.

In April, Mr. T. L. Charne was elected a new Director of the Company to fill the vacancy created by the resignation of Mr. D. A. Ross. Mr. Charne is a Director and Vice-President of Commerce Capital Corporation Limited and President of Commerce Capital Properties Limited.

In the past year we established a firm base for future growth and look forward to another successful year in 1977.

A handwritten signature in black ink, appearing to read "J. B. Whitley".

J. B. Whitley
Chairman

January 31, 1977
Toronto



Commerce Capital Mortgage Corporation

(Incorporated by Special Act of Parliament under the laws of Canada)

Balance Sheet

as at December 31, 1976

Assets

General Fund

| | <u>1976</u> | <u>1975</u> |
|---|------------------|------------------|
| Cash | \$ 13,652 | \$ 5,290 |
| Investment in preferred stocks, at cost (quoted market value 1976, \$415,460; 1975, \$544,509) | 557,372 | 744,359 |
| Mortgages receivable | 3,196,548 | 1,997,581 |
| Office equipment and leasehold improvements, at cost less accumulated depreciation of \$34,844 (1975, \$36,181) | 151,663 | 33,004 |
| Unamortized financing expenses | 534,578 | 456,768 |
| | <u>4,453,813</u> | <u>3,237,002</u> |

Mortgage Fund A

| | | |
|---|------------------|------------------|
| Cash | 55,358 | 18,554 |
| Mortgages receivable, issued under the National Housing Act | 1,046,755 | 1,202,450 |
| | <u>1,102,113</u> | <u>1,221,004</u> |

Mortgage Fund B

| | | |
|------------------------|-------------------|-------------------|
| Cash | 60,205 | 76,383 |
| Short term investments | 2,650,000 | 300,000 |
| Mortgages receivable | 44,296,563 | 35,097,262 |
| | <u>47,006,768</u> | <u>35,473,645</u> |

\$52,562,694 \$39,931,651

We hereby certify that to the best of our knowledge and belief the foregoing balance sheet is correct and shows truly and clearly the financial condition of the company's affairs.

J. B. WHITELY, Director and Chairman

C. J. CANN, Director and President

G. A. HILL, Secretary and Treasurer

Liabilities

1976

1975

General Fund

| | | |
|---|------------|-----------|
| Accounts payable and accrued liabilities | \$ 115,012 | \$ 6,930 |
| Income and other taxes payable | 210,966 | 177,768 |
| | 325,978 | 184,698 |
| | 329,695 | 292,374 |
| Deferred service fees | 434,775 | 342,675 |
| Deferred income taxes | | |
| Capital stock (note 2) | | |
| Authorized — 803,200 shares, par value \$10 per share | | |
| Issued — 170,040 shares (1975, 113,360 shares) | 1,700,400 | 1,133,600 |
| General reserve | 350,000 | 250,000 |
| Retained earnings | 1,312,965 | 1,033,655 |
| | 3,363,365 | 2,417,255 |
| | 4,453,813 | 3,237,002 |

Mortgage Fund A

| | | |
|--|-----------|-----------|
| Demand bank loans, secured by Series A bonds | 1,079,000 | 1,207,000 |
| Accrued interest | 23,113 | 14,004 |
| | 1,102,113 | 1,221,004 |

Mortgage Fund B

| | | |
|--|--------------|--------------|
| Demand bank loans, secured by Series B bonds | — | 1,500,000 |
| Series B bonds (note 3) | 45,058,467 | 32,911,650 |
| Accrued interest and expenses | 1,664,150 | 954,705 |
| Mortgages payable | 284,151 | 107,290 |
| | 47,006,768 | 35,473,645 |
| | \$52,562,694 | \$39,931,651 |



Commerce Capital Mortgage Corporation

Statement of Earnings

Year ended December 31, 1976

| | <u>1976</u> | <u>1975</u> |
|--|-------------------|-------------------|
| Income | | |
| Interest earned on mortgages and bank deposit receipts | \$5,259,551 | \$3,630,128 |
| Service fees earned | 377,994 | 342,785 |
| Dividend income | 39,820 | 49,015 |
| | <u>5,677,365</u> | <u>4,021,928</u> |
| Expenses | | |
| Bank and bond interest | 3,954,107 | 2,803,315 |
| Amortization of financing expenses | 181,321 | 143,427 |
| Administrative expenses including depreciation of \$10,015 (\$6,185 in 1975) | 530,887 | 393,484 |
| | <u>4,666,315</u> | <u>3,340,226</u> |
| Earnings Before Income Taxes | <u>1,011,050</u> | <u>681,702</u> |
| Income Taxes | | |
| Current | 369,600 | 237,192 |
| Deferred | 92,100 | 89,576 |
| | <u>461,700</u> | <u>326,768</u> |
| Net Earnings | <u>\$ 549,350</u> | <u>\$ 354,934</u> |
| Earnings per Share (note 4) | <u>\$ 3.29</u> | <u>\$ 3.13</u> |

Statement of Retained Earnings

Year ended December 31, 1976

| | <u>1976</u> | <u>1975</u> |
|-------------------------------------|--------------------|--------------------|
| Balance at Beginning of Year | \$1,033,655 | \$ 807,061 |
| Net earnings | 549,350 | 354,934 |
| | <u>1,583,005</u> | <u>1,161,995</u> |
| Transfer to general reserve | 100,000 | 100,000 |
| Dividends | 170,040 | 28,340 |
| | <u>270,040</u> | <u>128,340</u> |
| Balance at End of Year | <u>\$1,312,965</u> | <u>\$1,033,655</u> |

Notes to Financial Statements

Year ended December 31, 1976

1. Significant Accounting Policies

(a) Investment in preferred stocks

No provision is made for the decline in the market value of securities below recorded value as all gains and losses are recorded upon sale.

(b) Mortgages receivable

Mortgages are subject to continual review and, if required, appropriate provisions are recorded in the accounts for estimated losses.

(c) Office equipment and leasehold improvements

Office equipment and leasehold improvements are stated at depreciated cost. Depreciation is being provided using the following methods and annual rates:

Office equipment — 20% declining balance

Leasehold improvements — straight line over 10 years

(d) Unamortized financing expenses

Financing expenses are being amortized on a monthly basis over the term of the bonds.

(e) Short term investments

Short term investments consist of promissory notes and short term deposit receipts which are recorded at cost.

(f) Income taxes

The tax allocation method of providing for income tax is being used. Under this method income taxes have been calculated on the basis of reported earnings rather than on earnings currently taxable.

(g) Service fees earned

Fees are taken into service fees earned over the term of the mortgage

on the sum of the years digits method, except for an amount equal to the estimated cost of establishing mortgage files which amount is included in service fees earned in the year the cost is incurred.

2. Capital Stock

A rights issue to shareholders, which expired on January 20, 1976, resulted in the issue of 56,680 shares at a price of \$10.00 per share, and yielded total proceeds of \$566,800 to the company.

3. Series B Bonds, Mortgage Fund B

Bonds mature as follows:

| | 1976 | 1975 |
|------|---------------------|---------------------|
| 1976 | | \$ 5,276,500 |
| 1977 | \$ 5,575,847 | 4,186,800 |
| 1978 | 11,899,700 | 11,847,100 |
| 1979 | 2,904,157 | 2,471,750 |
| 1980 | 9,153,000 | 9,129,500 |
| 1981 | 15,525,763 | |
| | <u>\$45,058,467</u> | <u>\$32,911,650</u> |

4. Earnings Per Share

Earnings per share have been calculated based on the weighted average number of shares outstanding in 1976 and 1975 of 166,930 and 113,360 respectively.

5. Lease Commitment

The company operates in leased premises under the terms of a lease expiring on July 31, 1986 which provides for annual rental payments of \$52,000.

6. Name Change

Effective December 1, 1976, the company changed its name from General Mortgage Corporation of Canada to Commerce Capital Mortgage Corporation.

Auditors' Report

To the Shareholders of
Commerce Capital Mortgage Corporation

We have examined the balance sheet
of Commerce Capital Mortgage
Corporation as at December 31, 1976 and
the statements of earnings and retained
earnings for the year then ended. Our
examination was made in accordance with
generally accepted auditing standards,
and accordingly included such tests and
other procedures as we considered
necessary in the circumstances.

In our opinion, and according to the
best of our information and the
explanations given to us and as shown by
the books of the company, these financial
statements present fairly the financial
position of the company as at December
31, 1976 and the results of its operations
for the year then ended in accordance with
generally accepted accounting principles
applied on a basis consistent with that of
the preceding year.

Thorne Ridell & Co.

Chartered Accountants

Toronto, Canada
January 19, 1977

